NO. R-1

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
UTILITIES SYSTEM REVENUE CERTIFICATE, SERIES 2011

RATE OF INTEREST  MATURITY DATE  DATE OF ISSUE
1.72%  October 1, 2019  December 15, 2011

REGISTERED OWNER:  JPMORGAN CHASE BANK, N.A.

PRINCIPAL AMOUNT:  NINE MILLION TWENTY-FIVE THOUSAND DOLLARS AND NO CENTS

KNOW ALL MEN BY THESE PRESENTS, that the Utilities Commission, City of New Smyrna Beach, Florida (the "Utilities Commission"), for value received, hereby promises to pay to the Registered Owner so much of the Principal Amount hereof to the date of payment thereof, at the annual Rate of Interest set forth herein, such interest to be calculated on a 360-day year consisting of twelve 30-day months and payable on the first day of October and April of each year, commencing April 1, 2012.

The principal of and interest on this Certificate shall be due and payable as set forth on the Amortization Schedule attached hereto as Schedule 1 with installments of principal and interest to be determined so as to produce substantially level annual debt service and principal payments annually beginning on October 1, 2012. The Rate of Interest on this Certificate is subject to adjustment as set forth on Schedule 2 hereto.

This Certificate may be prepaid in whole or in part prior to maturity on any date. If this Certificate is prepaid before October 1, 2016, a prepayment penalty, calculated in accordance with Schedule 2 hereto, shall be payable. Notice of such prepayment shall be delivered to the Registered Owner at least 30 days prior to the date for prepayment date. If this Certificate is prepaid in part, then prior to the transfer of this Certificate the Registered Owner shall record the appropriate information in a Partial Redemption Record in the form attached to this Certificate as Schedule 3 hereto, and indicate receipt of such partial redemption by its signature on such Record.

The principal of and interest on this Certificate are payable in lawful money of the United States of America.

This Series 2011 Certificate is issued under the authority of Chapter 85-503, Laws of Florida, the Charter of the Utilities Commission, and other applicable provisions of law, and pursuant and subject to the terms and conditions of Resolution 28-78 duly adopted by the Utilities Commission on June 30, 1978 (the "Resolution"), as supplemented by Resolution 3-11 adopted by the Utilities Commission on November 21, 2011 and a Loan Agreement, dated December 15, 2011, between the Utilities Commission and the initial purchaser of the Series 2011-1 Certificate.
2011 Certificate (the "Agreement"), to which reference should be made to ascertain those terms and conditions.

The Series 2011 Certificate and the interest thereon are payable solely from and secured by a lien upon and pledge of the Net Revenues of the Utilities Commission's water, wastewater and electric utility system and certain amounts in the funds and accounts maintained under the Resolution (hereinafter called the "Pledged Funds"), all in the manner provided in the Resolution.

This Series 2011 Certificate shall not constitute a general obligation or indebtedness of the Utilities Commission, and the Lender shall never have the right to require or compel the levy of taxes on any property of or in the City or the Utilities Commission for the payment of the principal of and interest on this Series 2011 Certificate. This Series 2011 Certificate shall not constitute a lien upon any property of or in the City or the Utilities Commission, but shall be payable solely from the Pledged Funds in the manner provided in the Resolution and the Agreement. Reference is made to the Resolution and the Agreement for the provisions relating to the security for payment of this Series 2011 Certificate and the duties and obligations of the Utilities Commission hereunder.

The Utilities Commission has designated this Series 2011 Certificate as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986. The Utilities Commission (including any subordinate entity or entities and any entity or entities issuing tax-exempt obligations on behalf of the City within the meaning of Section 265(b)(3)(E) of the Code) has not issued, and does not reasonably expect to issue, tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) within calendar year 2011 the principal amount of which, together with this Series 2011 Certificate, will exceed $10,000,000 in amount.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Series 2011 Certificate, have happened, exist and have been performed in regular and due form and time as so required.
IN WITNESS WHEREOF, the Utilities Commission, City of New Smyrna Beach, Florida, has caused this Series 2011 Certificate to be executed by the Chairman, and attested by the Secretary Treasurer, either manually or with their facsimile signatures, and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, and this Series 2011 Certificate to be dated as of December 15, 2011.

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

(SEAL)

By: ____________________________
   Chairman

ATTEST:

By: ____________________________
   Secretary Treasurer
SCHEDULE 1

AMORTIZATION SCHEDULE

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<th>October 1</th>
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<tr>
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<tr>
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<td>1,190,000</td>
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</table>

Total       $9,025,000
SCHEDULE 2
ADJUSTMENT TO INTEREST RATE

Event of Default

Any amount payable to the Lender (as defined in the Agreement) hereunder which is not paid when due shall bear interest at the “Default Rate.” For purposes of the Series 2011 Certificate, the term “Default Rate” shall mean the higher of (1) JPMorgan Chase Bank’s Prime Rate plus 4% and (2) the “Adjusted One-Month LIBOR Rate” (as hereinafter defined) plus 4%. “Adjusted One-Month LIBOR Rate” shall mean the sum of 2.50% plus the quotient of (a) the LIBOR Rate on the immediately preceding business day for dollar deposits with a maturity equal to one-month, divided by (b) one minus the “Reserve Requirement” applicable to dollar deposits in the London interbank market with a maturity equal to one month. The Default Rate shall be determined as of the day immediately following the date on which any amount payable to the Lender hereunder is not paid when due.

The Series 2011 Certificate shall bear interest at the Interest Rate; provided, however, that if any principal of or interest on the Series 2011 Certificate is not paid when due, the Series 2011 Certificate and any amount so in default shall bear interest at the Default Rate until such default is cured. Anything provided herein or in the Series 2011 Certificate to the contrary notwithstanding, in no event shall the Series 2011 Certificate bear interest in excess of the Maximum Rate. In the event the Interest Rate exceeds the Maximum Rate, the Series 2011 Certificate shall continue to bear interest at the Maximum Rate regardless of the reduction of the Interest Rate to a rate less than the Maximum Rate until such time as interest shall accrue on the Series 2011 Certificate in an amount (the “Excess Interest”) that would have accrued thereon had the Interest Rate not been limited by the Maximum Rate. Upon the Maturity Date, in consideration for the limitation of the rate of interest otherwise payable on the Series 2011 Certificate, the Utilities Commission shall pay to the Lender of the Series 2011 Certificate a fee equal to the amount of the unpaid amount of all unpaid deferred Excess Interest.

“Maximum Rate” means the maximum rate of interest permitted for non-rated governmental bonds as set forth in Section 215.84(3), Florida Statutes, as may be amended from time to time.

Tax Gross-Up

In the event a Determination of Taxability shall have occurred, the rate of interest on the Series 2011 Certificate shall be increased to the Taxable Rate, effective retroactively to the date on which the interest payable on the Series 2011 Certificate is includable for federal income tax purposes in the gross income of the Lender thereof. In addition, the Lender of the Series 2011 Certificate or any former Lenders of the Series 2011 Certificate, as appropriate, shall be paid an amount equal to any additions to tax, interest and penalties, and any arrears in interest that are required to be paid to the United States of America by the Lender or former Lenders of the Series 2011 Certificate as a result of such Determination of Taxability. All such additional interest, additions to tax, penalties and interest shall be paid by the Utilities Commission within sixty (60) days following the Determination of Taxability and demand by the Lender. A "Determination of
Taxability shall mean (i) the issuance by the Internal Revenue Service of a statutory notice of deficiency or other written notification which holds in effect that the interest payable on the Series 2011 Certificate is includable for federal income tax purposes in the gross income of the Lender thereof, which notice or notification is not contested by either the Utilities Commission or any Lender of the Series 2011 Certificate; or (ii) a determination by a court of competent jurisdiction that the interest payable on the Series 2011 Certificate is includable for federal income tax purposes in the gross income of the Lender thereof, which determination either is final and non-appealable or is not appealed within the requisite time period for appeal, or (iii) the admission in writing by the Utilities Commission to the effect that interest on the Series 2011 Certificate is includable for federal income tax purposes in the gross income of the Lender thereof.

In the alternative, in the event that interest on the Series 2011 Certificate during any period becomes partially taxable as a result of a Determination of Taxability applicable to less than all of the Series 2011 Certificate, then the interest rate on the Series 2011 Certificate shall be increased during such period by an amount equal to: (A-B) x C where:

(A) "A" equals the Taxable Rate (expressed as a percentage);

(B) "B" equals the interest rate on the Series 2011 Certificate (expressed as a percentage); and

(C) "C" equals the portion of the Series 2011 Certificate the interest on which has become taxable as the result of such tax change (expressed as a decimal).

In addition, the Lender of the Series 2011 Certificate or any former Lender of the Series 2011 Certificate, as appropriate, shall be paid an amount equal to any additions to tax, interest and penalties, and any arrears in interest that are required to be paid to the United States by the Lender or former Lenders of the Series 2011 Certificate as a result of such Determination of Taxability. All such additional interest, additions to tax, penalties and interest shall be paid by the Utilities Commission within sixty (60) days following the Determination of Taxability and demand by the Lender.

In the event that the maximum effective federal corporate tax rate (the "Maximum Corporate Tax Rate") during any period with respect to which interest shall be accruing on the Series 2011 Certificate on a tax-exempt basis, changes from the Maximum Corporate Tax Rate then in effect, which causes a reduction in yield on the Series 2011 Certificate, the interest rate on the Series 2011 Certificate that is bearing interest on a tax-exempt basis shall be adjusted to the product obtained by multiplying the interest rate then in effect on the Series 2011 Certificate by a fraction equal to (1-A divided by 1-B), where A equals the Maximum Corporate Tax Rate in effect as of the date of adjustment and B equals the Maximum Corporate Tax Rate in effect on the date of the original issuance of the Series 2011 Certificate.

So long as any portion of the principal amount of the Series 2011 Certificate or interest thereon remains unpaid (a) if any law, rule, regulation or executive order is enacted or promulgated by any public body or governmental agency which changes the basis of taxation of interest on the Series 2011 Certificate or causes a reduction in yield on the Series 2011 Certificate (other than
by reason of a change described above) to the Lender or any former Lenders of the Series 2011 Certificate, including without limitation the imposition of any excise tax or surcharge thereon or change in reserve or capital adequacy requirements, or (b) if, as result of any action or the failure to act by any public body or governmental agency, any payment is required to be made by, or any federal, state or local income tax deduction is denied to, the Lender or any former Lenders of the Series 2011 Certificate (other than by reason of a change described above or by reason of any action or failure to act on the part of the Lender or any former Lender of the Series 2011 Certificate), including, but not limited to, loss of status as a “qualified-tax-exempt obligation” for purposes of Section 265(b)(3)(B) of the Code, by reason of the ownership of the Series 2011 Certificate, the Utilities Commission shall reimburse any such Lender within five (5) days after receipt by the Utilities Commission of written demand for such payment, and, to the extent permitted by law, the Utilities Commission agrees to indemnify each such Lender against any loss, cost, charge or expense with respect to any such change. The determination of the after-tax yield calculation shall be calculated by the Lender, and such calculation, in the absence of manifest error, shall be binding on the Utilities Commission and the Lender.

"Prime Rate" shall mean a rate of interest equal to the announced prime commercial lending rate per annum of the Lender. The Prime Rate is a reference rate for the information and use of the Lender in establishing the actual rate to be charged to the Utilities Commission. The Prime Rate is purely discretionary and is not necessarily the lowest or best rate charged any customer. The Prime Rate shall be adjusted from time to time without notice or demand as of the effective date of any announced change thereof.

"Taxable Rate" means a rate equal to the Prime Rate times that percentage which after the Determination of Taxability will result in the same after-tax yield to the Lender of the Series 2011 Certificate as before said Determination of Taxability.

PREPAYMENT PENALTY

The Series 2011 Certificate shall be subject to redemption prior to its stated Maturity Date. If such redemption is prior to October 1, 2016, the Utilities Commission shall pay to the Lender the following redemption premium. For purposes of the foregoing, the term “redemption premium” shall mean the sum of the differences between (a) each scheduled interest payment which would have been made on the redeemed amount if such redemption had not occurred and (b) the corresponding fixed-rate interest payment which would be received under an interest rate swap which the Lender shall be deemed to have entered into as of the date of such redemption (the “Replacement Swap”) covering its payment obligations under an interest rate swap which the Lender shall be deemed to have entered into when the redeemed amount was originally funded, with each such difference discounted to a present value as of the date of redemption using the fixed interest rate of the Replacement Swap as the applicable discount rate. The Utilities Commission acknowledges that the Lender might not fund or hedge its fixed-rate loan portfolio or any redemption thereof on a loan-by-loan basis at all times, and agrees that the foregoing is a reasonable and appropriate method of calculating liquidated damages for any redemption irrespective of whether any of the foregoing hedging transactions have in fact occurred or occurred precisely as stated with respect to the loan evidenced by the Series 2011 Certificate. All calculations and determinations by the Lender of the amounts payable pursuant to the preceding provisions or of any element thereof, if made in accordance with its then standard
procedures for so calculating or determining such amounts, shall be conclusive absent manifest arithmetic error.
### SCHEDULE 3

**Partial Redemption Record**

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